

**Final LDZ Shrinkage
Proposal for
Gas Year 2008/09**

**National Grid
1 September 2008**

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Final LDZ Shrinkage Proposal for Gas Year 2008/09

1 Purpose of Proposal

The purpose of this paper is to present our final LDZ Shrinkage Proposals for the Gas Year 2008/09 as required under *Uniform Network Code Section N 3.1.7*.

As there have been no representations from the shipping community, we see no reason to change from our Initial Proposals.

2 Summary of Proposal

We propose to apply the Shrinkage Quantities outlined in the tables below for the Gas Year 2008/09 effective from 06:00 hrs on 1 October 2008.

LDZ Specific Shrinkage Quantities:

LDZ	Leakage (GWh)	OUG (GWh)	Theft (GWh)	Total (GWh)
Eastern	250	5	10	265
East Midlands	359	8	15	382
North Thames	363	7	13	382
North West	471	9	17	496
West Midlands	408	6	11	425
National Grid	1850	36	65	1951

Table 1. Proposed LDZ Shrinkage Quantity values for the 2008/09 Gas Year

LDZ	Leakage (KWh)	OUG (KWh)	Theft (KWh)	Total (KWh)
Eastern	685,197	14,649	26,634	726,479
East Midlands	983,313	22,488	40,887	1,046,687
North Thames	993,843	18,848	34,270	1,046,960
North West	1,289,171	24,913	45,296	1,359,379
West Midlands	1,117,193	16,790	30,527	1,164,510
National Grid	5,068,716	97,687	177,613	5,344,016

Table 2. Proposed LDZ Daily Shrinkage Quantity values for the 2008/09 Gas Year

3 Basis of Proposal

The proposed LDZ Shrinkage Quantities for Gas Year 2008/09 are based on the data and methodologies outlined within our LDZ Shrinkage Initial Proposals Gas Year 2008/09 issued on 1 July 2008.

3.1 Leakage

Leakage from the low and medium pressure systems accounts for the majority of overall leakage within an LDZ. The leakage estimate has been derived from information obtained from the 2002/03 National Leakage Test programme combined with

measured Monoethylene Glycol saturation levels, annual average system pressures and mains and services population data.

In addition, we have taken into account the leakage and operational venting from Above Ground Installations (AGIs). The magnitudes of these losses have been determined from the 2003 leakage survey of these sites.

Leakage, in terms of cubic metres of gas, is converted into energy by use of flow-weighted average CVs (measured in MJ/m³) that are detailed within the Initial Proposals.

3.2 Operational Usage (also known as Own Use Gas)

Under the new UNC regime for Shrinkage, Own Use Gas is treated differently to the previous regime in that, rather than being considered as a factor of daily throughput to be procured on a daily basis it is treated as a consolidated Quantity, calculated as a factor of 17 year seasonal normal annual LDZ consumption, to be procured on a flat daily basis.

3.3 Theft of Gas

The responsibility for Theft of Gas is split between Gas Transporters and Shippers.

The *Uniform Network Code Section N 1.3.2* states that LDZ Shrinkage shall include, and National Grid is therefore responsible for, gas illegally taken upstream of the customer control valve and downstream where there is no shipper contract with the end-user.

Historically, unidentified theft has been assumed to be 0.3% of LDZ Consumption.

As with Own Use Gas, Theft Of Gas will also be treated as a consolidated Quantity procured on a flat daily basis.

3.4 Summary of proposed Shrinkage Quantities

The proposed Shrinkage Quantity values per day and per annum applicable for the 2008/09 Gas Year are shown in table 3 below:

LDZ	Daily (KWh)	Annual (GWh)
Eastern	726,479	265
East Midlands	1,046,687	382
North Thames	1,046,960	382
North West	1,359,379	496
West Midlands	1,164,510	425
National Grid	5,344,016	1951

Table 3. Proposed LDZ Shrinkage Quantity values for the 2008/09 Gas Year

4 National Grid's Opinion

We believe that it is appropriate to implement the proposed Shrinkage Quantities in respect of LDZ Shrinkage for the period from 1 October 2008 to 30 September 2009.

The LDZ Shrinkage Quantities have been determined by utilising the best information and data available and by application of robust methodologies, which are consistent with those used in previous proposals.

5 Extent to which the Proposal would better facilitate the relevant objectives

The proposal provides National Grid's best forecast of the level of LDZ Shrinkage for the Gas Year 2008/09. The proposal is based on robust methodologies and the best information available to National Grid.

This proposal is intended to further the efficient and economic operation of the system through more appropriate cost targeting.

6 The implications for National Grid of implementing the Proposal

Including:

a) implications for the operation of the System:

National Grid is unaware of any such implications that would result from implementing this proposal.

b) development, capital cost and operating cost implications:

The proposed LDZ Shrinkage Quantity values lead to a fair allocation of operating costs between LDZ systems.

c) extent to which it is appropriate for National Grid to recover the costs, and proposal for the most appropriate method for National Grid to recover the costs:

It is appropriate for each LDZ to incur a share of the overall Shrinkage Energy dependent upon the actual shrinkage in that LDZ.

d) analysis of the consequences (if any) this proposal would have on price regulation:

None identified.

7 The implications of implementing this Proposal for Users

This proposal improves the equitability and accuracy of cost targeting for Users.

8 Analysis of any advantages or disadvantages of implementation of the Proposal

- ◆ **Advantages:** Better reflective of the actual system usage and losses with improved cost targeting.
- **Disadvantages:** National Grid is not aware of any disadvantages.

9 User Representations

Users have had the opportunity to comment upon these proposals. A Shrinkage Forum scheduled for 11th July was cancelled due to lack of numbers and following publication of our Initial Proposals users were also invited to provide comments in writing. We have received no representations from any Shippers in relation to our 2008/09 proposals.

10 Programme of works required as a consequence of implementing the Proposal

The only required modification is for xoserve to enter daily LDZ Shrinkage Quantities into Gemini.

11 Proposed implementation timetable (including timetable for any necessary information systems changes)

Under *Uniform Network Code Section N 3.1.8*, Users have until the 15 September 2008 to request that Ofgem issue a Condition 7 (4) disapproval of this proposal.

If the disapproval is not given, the revised LDZ Shrinkage Volumes detailed in this proposal will be implemented at the start of the Gas Day on 1 October 2008.

12 Recommendation concerning the implementation of the Proposal

We recommend that the proposed LDZ Shrinkage Volumes be implemented with effect from 06:00 hrs on 1 October 2008.

13 National Grid's Proposal

This report contains our proposal for the LDZ Shrinkage Volumes for the Gas Year 2008/09. In summary, we propose that the LDZ Shrinkage Volumes should be set at the levels indicated in the tables on page 2 of these proposals.